Remarks Given by
Lieutenant Governor Becky Skillman
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National Lieutenant Governors Association Transportation Panel

It's a pleasure to be with you today.

I have the honor of bringing you the details of one of Indiana's biggest success stories. I'm very proud of the creativity and initiative we have put into finding a way to solve the seemingly insurmountable funding problems Indiana faced on critical infrastructure improvements. It was an uphill battle to put our plan for a public-private partnership in place, but it is already making our road funding problems a thing of the past.

Like every state in America, Indiana is facing a crumbling transportation infrastructure. When Governor Mitch Daniels and I assumed office, we quickly realized that the cost of inaction was dangerously high. Innovative and decisive action had to be taken to keep Indiana moving forward. We saw the potential to make that happen by partnering with the private sector in plan we titled Major Moves.

TRANSPORTATION FUNDING GAP

Nationally, the gap between road-building needs and projected revenues is estimated at hundreds of billions of dollars – and growing. In Indiana alone, the gap between needs and revenues for the next ten years was nearly $3 billion in 2005.

We had road improvement projects that had literally been on the table for decades – never moving to construction because the money just wasn't there. Indiana's crumbling infrastructure was more than just a problem of citizens getting around efficiently. We were looking at an economy that could not guarantee the easy transport of goods and services. We were looking at the erosion of the economic advantage in logistics and distribution that we enjoy thanks to our geographic position as the crossroads of America. In short, we were looking at a slow economic starvation. The cost of inaction was tremendous – job loss alone would have been staggering.

Our state had existing assets that were being poorly managed in public hands. Indiana has a 157-mile toll road across its seven northernmost counties. When Governor Daniels and I took office, it had lost money for five out of the previous seven years.

The toll was astoundingly low – 15 cents for a single car to traverse this great expanse of highway. It was costing us approximately 34 cents to collect the toll. The state was losing money at an alarming rate. In fact, the Governor is fond of joking that we would have been better off using the honor system to collect the tolls!

The Governor and I knew the toll road was an untapped revenue resource for Hoosiers. We saw a great opportunity to leverage an existing asset for tremendous gain. After careful study and a huge collaborative effort with some of the best minds in the transportation industry, we offered the road for a long-term lease. The high bid was more than $3.8 billion, <u>cash</u>, from an Australian-Spanish consortium.

In state hands, the road's value was less than half that sum – only $1.8 billion. Frankly, if we'd gotten a dollar for it, it would have been a win for Indiana. Instead, we cashed a check that will close a once impossible gap between our transportation needs and our transportation dollars.

THE LEASE & THE LEGISLATION

Despite the ironclad economic logic, the extensive collaborative effort and the promised solution to a significant problem – we faced a great deal of opposition. There was a pervasive and misguided patriotism at work. People were instantly offended and angry at the idea of "selling" part of America to "foreigners." Others made a case that we were somehow borrowing from the future.

Legislators offered counter proposals – increasing the gas tax and bonding were high on the list. But other plans were based on an assumption that had already been proven wrong. That assumption was that state government would provide the best management of a critical asset. That was simply not happening.

Most any business unit is more profitable when it's separated from its conglomerate parent. An asset like the Indiana toll road is no different. It can be worth vastly more under different management. We needed a business-minded solution, so we looked to the private sector.

Public private partnerships offer great benefits. P3s, as they are commonly called, give state government a great tool to work with - other people's money. In Major Moves, Indiana currently has the largest infrastructure P3 deal in the United States.

The deal obtained $3.85 billion dollars cash for a 75 year lease of our toll road. That's cash – never to be repaid – in the bank, earning interest. That interest is estimated between $700 – 900 million, making the final sum closer to $4.5 billion, none of which comes from the pockets of Hoosiers. The agreement also requires the leaseholder to make significant improvements to the road – at no cost to the state.

The toll road revenue this deal is generating will help us retire outstanding toll road debt and build a long-term fund for road/bridge projects. The remainder goes to a general Major Moves construction fund.

We are using that construction fund to give $150 million to local governments in all Indiana counties for their local road and bridge counties. Counties that the Toll Road runs through are receiving a minimum of 34% of the construction fund, and the remainder of fund goes toward hundreds of new state construction projects that will be built over the next 10 years.

CONCLUSION

Soon, Indiana will be home to some $5 billion in new public assets that would otherwise never have existed. It's the biggest building program in our state's history. In fact it's twice as big as any preceding program. And we've done it all without raising the state gas tax. The deal supports an estimated 130,000 jobs, and it's already triggering a wave of business development.

Indiana landed three major manufacturing investments since Major Moves came online. The companies that chose locate new production facilities in our state will bring more than 4,000 new jobs and invest nearly $800 million in our state. That does not include the additional investments and new jobs from other supply companies who will grow in order to meet the production needs of these plants. Without fail, the executives at these companies site the excellent transportation resources and infrastructure in our state as one of the primary reasons they chose Indiana.

In a fierce, world-wide competition for globally mobile capital, Indiana has won a multibillion dollar investment. We're bringing back some of the billions of dollars Americans spend on foreign products and using it to put Hoosiers to work.

The money is in the bank. Now we have to be wise in how we use it. It would be a mistake to use this capital asset value on short-term operating costs. It has to go toward long-term public assets that will strengthen the economy.

Sustained economic development has been the linchpin of our administration. Major Moves has jet-propelled us into competitive projects, new jobs and a bright future.

I'd be happy to take any questions you might have.